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November 26, 2012

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Gary K. Van Meter, Acting Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Ave, NW
Washington, DC 20551

Alfred M. Pollard, General Counsel
Attention: Comments - RIN 2590-AA45
Federal Housing Finance Agency
Fourth Floor, 1700 G Street, NW
Washington, DC 20552

Robert E. Feldman, Executive Secretary
Attention: Comments, Federal Deposit
Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Reopening of Comment Period for Notice of Proposed Rulemaking on Margin and Capital Requirements for Covered Swap Entities RIN 1557-AD43; RIN 7100-AD74; RIN 3064-AD79; RIN 3052-AC69; and RIN 2590-AA45.

Jones Day respectfully submits the attached working paper in response to the reopening of the comment period for the proposing release entitled "Margin and Capital Requirements for Covered Swap Entities" (the "**Proposing Release**") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Federal Housing Finance Agency (collectively, the "**Prudential Regulators**"). We are fully supportive of the joint efforts of the Prudential Regulators to develop margin requirements for certain covered swap entities subject to regulation by the Prudential Regulators pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act and appreciative of the further opportunity provided by the reopening of the comment period in light of the consultative document on margin requirements for non-centrally cleared derivatives published by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions.

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As over the counter swap markets transition from principal to principal, bilateral markets to markets where some (but not all) swaps will be subject to clearing mandates, market participants have begun to examine the potential impact of this bifurcation on their margin requirements. Of particular importance to market participants is gaining certainty that regulators will continue to permit risk to be viewed on a portfolio basis, and in a manner that reflects hedges and offsetting positions held by a single investor. This approach is most often referred to as portfolio margining.

A portfolio margining regime is comprised of two key elements: risk offsets and netting. What this means is that under portfolio margining, the risk of positions held by a single investor is aggregated across product types and amongst various affiliated financial counterparties, and the party receiving the benefit of risk offsets grants a security interest in its portfolio to the various legal entity or entities who are its counterparties.

We are aware that a number of commenters have called for the recognition of portfolio margining in their submissions to the Prudential Regulators. In order to more fully analyze these comments from the industry, we believe it is important for the Prudential Regulators to have as much information as possible regarding portfolio margining arrangements, how they work, and the policy benefits of ensuring their continued viability. As such, we have prepared the attached working paper entitled "The Future of Portfolio Margining" which discusses the longstanding use of portfolio margining arrangements in various financial markets, examines current proposals for the use of portfolio margining in regards to cleared over-the-counter swaps, and offers our thoughts on the potential application of portfolio margining techniques to combined portfolios of cleared swaps, non-cleared swaps, and related financial products. We are pleased to attach the current version of this working paper hereto as Annex A and hope that it will assist the Prudential Regulators in their review of the industry comments to the Proposing Release and in drafting the final rules.

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We appreciate the opportunity to comment on the Proposing Release. Please contact Jonathan Ching at +1 212-326-7829 if you or your respective staff members have any questions regarding this letter or the attached working paper.

Very truly yours,



Jonathan Ching

Attachments

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Annex A
Working Paper
The Future of Portfolio Margining